

JOSEPH ONEBANE (1917-1987)  
JOHN G. TORIAN, II (1936-1991)

TIMOTHY J. MCNAMARA  
EDWARD C. ABELL, JR.  
LAWRENCE L. LEWIS, III †  
DOUGLAS W. TRUXILLO \*  
RANDALL C. SONGY  
MICHAEL G. DURAND  
GARY P. KRAUS  
RICHARD J. PETRE, JR.  
THOMAS G. SMART \*  
ROGER E. ISHEE \*\*  
STEVEN C. LANZA  
GREG R. MIER ††  
CRAIG A. RYAN  
JASMINE B. BERTRAND \*  
JEREMY B. SHEALY  
JAMES D. BAYARD  
LAUREN L. GARDNER \*  
ROSS F. ROUBION

# ONEBANE LAW FIRM

*A Professional Corporation*

1200 CAMELLIA BOULEVARD (70508)  
SUITE 300  
POST OFFICE BOX 3507  
LAFAYETTE, LOUISIANA 70502-3507

TELEPHONE: (337) 237-2660  
FAX: (337) 266-1232

WWW.ONEBANE.COM

December 4, 2015

OF COUNSEL  
WILLIAM E. KELLNER  
GREGORY K. MOROUX  
FREDERICK R. PARKER, JR. ‡  
JOHN F. PARKER  
KAREN DANIEL ANCELET  
SUET. MANN

‡ LL.M. IN HEALTH LAW  
‡‡ LL.M. IN TAXATION LAW  
† BOARD CERTIFIED TAX ATTORNEY  
LL.M. IN TAXATION  
†† REGISTERED PATENT ATTORNEY

\* ALSO ADMITTED IN TEXAS  
\*\* ALSO ADMITTED IN MISSISSIPPI

00010334-074638

Via Email

Suzanne Hyatt  
Department of Natural Resources  
Office of Mineral Resources  
P.O. Box 2827  
Baton Rouge, Louisiana 70821-2827

Re: Comments to 2016 Draft State Lease Form

Dear Suzanne:

Attached please find the following:

1. A Memorandum with my suggested changes and the reasons for same.
2. A marked-up copy of the 2016 Draft State Lease form with language cleanup marked on same. This just shows language cleanup which should be self explanatory. It does not contain the changes discussed in the Memorandum. This is the same marked up copy I sent you Wednesday, December 2nd.

If I can be of assistance with further explanation or drafting of suggested changes, please let me know. I very much appreciate your consideration of these comments, along with the way the Office of Mineral Resources has been open to input throughout this process.

Sincerely,



Thomas G. Smart

TGS:

ONEBANE  
LAW FIRM  
*A Professional Corporation*

MEMORANDUM

**TO:** Suzanne Hyatt  
**FROM:** Thomas Smart  
**DATE:** December 4, 2015  
**RE:** Comments to Draft 2016 State Lease Form

---

Below are my comments and suggested changes to the recent draft of the proposed revised mineral lease form for State Lands (the “Draft 2016 Lease Form”).

Accompanying this memorandum is my work copy of the Draft 2016 Form, in which I have marked certain suggested revisions for cleanup, which I feel is self-explanatory. The changes discussed below are in addition to the cleanup changes marked. I did not incorporate the below requested changes, as I did not have a word version of the document and thought it was easier and cleaner to address them separately below. Also, since the attached is my work copy, it also reflects my notes on changes from the Existing 2000 Lease Form (shown in brackets) and cross references to the pertinent paragraphs of the Existing Lease Form.

1. General Comment It is important that the form be as balanced as possible, protecting the State’s interests, but not placing additional and/or undue burdens on lessees. An onerous provision in a large landowner’s lease form can be problematical, but it is usually limited to a relatively small geographic area. However, the State is the largest single landowner in Louisiana. The more onerous the State Lease form is, the more potential there is for fewer companies to decide to do business in Louisiana, for fewer leases to get nominated, for fewer wells to be drilled or for fewer deals to be done, all resulting in adverse economic impact to our State. Also, adding any added administrative burden, including as discussed below, adds to your administrative burden, especially given the staff and resource limitations that your office is forced to operate under. Increasing the burden on your already limited staff, slows down the ability of you to timely respond to companies, again creating a disincentive to doing business in the State, resulting in adverse economic impact to the State.

2. Ultra-Deep/Extension of Primary Term (Article 2.(B)(2) and (C) of the Draft 2016 Lease Form, Page 5; for comparison, see Existing 2000 Lease Form Para 2-second paragraph)

Suggested Change: Revise the first part of “(C)” to read as follows: “If the Primary Term is extended under (1) or (2) above, Lessee’s failure, before the end of the extended **Primary Term**, to commence secondary or tertiary recovery operations or commence ( **or recommence**) drilling of an ultra-deep well and, **whether before or after the end of**

**the extended Primary Term**, reach the required True Vertical Depth (unless prevented due to mechanical or other related downhole causes) shall subject lessee, after demand, to liquidated damages .....

Reason: The wording in the current draft can be read to require that the well reach TVD prior to the end of the extended primary term or the lessee is subject to liquidated damages. In the case of ultra-deep wells, these wells can take over a year to drill. Given the time it takes to put these plays together, rig availability difficulties, etc., a lessee operating in good faith and to the State's benefit could be exposed to liquidated damages because they don't/can't reach TVD by the end of the term.

3. Shut-In Payments (Article 3.(F) of the Draft 2016 Lease Form, Pages 7-8; for comparison, see Existing 2000 Lease Form Para 6(d)(i) & (ii))

Suggested Change: Go back to the prior shut-in clause or some version of it (more of a submission format, with certain information being required to qualify a well as commercially productive). Alternatively, consider revising in such a way as to allow the staff to approve shut-in requests (whether that is referencing OMR or simply Lessor). In any event, you should be able to get a certain number of shut-in periods without having to go back every time for approval.

Reason: The main differences in the new provision (from the prior shut-in clause, along with the policy requirements for qualifying a well as commercial) are that now you have to make the request *to the Board* (under "(F)(1)"), rather than just to the staff, and you have to make a request prior to the end of *each* shut-in period (under "(F)(5)"). Having to deal with the Board, with their monthly meeting schedule, initially and prior to each shut-in period, adds administrative burden (for both the lessee and lessor) and could jeopardize lease maintenance. Historically, in private and other leases, shut-in payments are a routine and necessary lease maintenance tool.

4. Royalty Clause (Article 6 of the Draft 2016 Lease Form, Pages 10-15; for comparison, see Existing 2000 Lease Form Para 6)

Suggested Change: At the end of the first paragraph under "(A)" and "(B)", after the indices, add the following: "Lessee may elect one of the previous listed indexes or bulletins for each calendar year as the "Fair market price" floor and pay the higher of the sales price received or the elected index or bulletin."

Reason: Under "(A)" and "(B)" the "fair market price" is expressed in terms of not paying less than a number of prices. Previously, fair market price was defined as not less than an average of posted prices (oil) or the price in a prudently negotiated arm's length contract (gas). There is some concern that lessee's could be exposed to a monthly calculation based upon picking the highest price for that particular month, which could

create exposure and uncertainty to a lessee in attempting to properly comply with the lease terms.

5. Transfers and Assignments (Article 7 of the Draft 2016 Lease Form, Page 15; for comparison, see Existing 2000 Lease Form Para 8)

Suggested Change: Delete “(D)” and continue with the current practice.

Discussion: It would seem as much of the State’s concerns would already be covered under the financial security and insurance provisions. Evaluating parties acquiring a lease or interest in a lease for financial and technical capability will be time consuming and fraught with a number of problems. Often a party will acquire the lease by assignment and then put the deal together. The financial capacity is not always there upfront (even if one is buying an already producing property); often times partners or revenue sources need to be found or put together. It is questionable whether start-ups and prospect generators, which have benefited the State greatly in the past (on its lands and job creation), would pass muster under this criteria. Also, what standards will be used by the State for the owners of different interests? Are smaller interest owners going to have to meet the same standards? How long is it going to take to get assignments approved while the State evaluates all of this information? Does the State have the staff to do this? This provision has the ability to affect a myriad of transactions from putting together multiple party drilling and exploration programs to the buying and selling of producing properties. This affect will bleed over to private leases and activity on private lands, because many drilling programs or producing property sales and acquisitions involve a mixture of State and private leases. If this provision stays, it should be used sparingly and only when necessary, and not applied to every transfer.

6. Pooling and Unitization (Article 8 of the Draft 2016 Lease Form, Pages 15-16; for comparison, see Existing 2000 Lease Form Paragraphs 9 and 10)

Suggested Change as to “(B)”: Ad the following after the ninety (90) day provisions:

An extension of the ninety (90) day period will be granted and may not be unreasonably be withheld by Lessor, upon application made by Lessee due to the existence of extraordinary issues, including title or survey issues.

Reason: Under “(B)” a ninety (90) day deadline has been imposed for submitting unit survey plats, with liquidated damages in the amount of \$100 dollars per day for every day after notice for failure to comply. The lead in to the ninety (90) day requirement states “unless waived by Lessor.” To date submitting the survey plat has been an Office of Conservation requirement, not a lease requirement. There are often times when it is not possible to furnish a unit survey plat within ninety (90) days due to title and/or survey problems. Also, where the State Lease is owned by a non-operator (whether with or without an operating agreement with the operator), the lessee may be without control or

ability to cause the operator to have the survey timely performed. Depending upon how this provision is implemented and what discretion is used in granting the waiver, this provision could create problems for lessees.

Suggested Change as to “(C)”: The last sentence of “(C)” should be deleted.

Reason: The requirement that royalties in this situation be paid back to the first date of production can create problems, depending upon the timing of unitization. It may result in lessees having to pay royalties twice (i.e., on a lease basis (8/8ths) to the lessor for the bottomhole location, and on a unit basis under the State Lease) prior to the unit being put in place.

7. Lessee Reporting (Article 9 of the Draft 2016 Lease Form, Page 17; for comparison, see Existing 2000 Lease Form Para 11)

Suggested Change: Delete items “(6)”, “(7)” and “(8)” under “(A)”.

Reason: Data and informational requirements under the State Lease present unique problems, when compared to private leases, because the State is subject to public records laws, absent specific statutory exceptions. The addition of items “(6)” [paleontological reports], “(7)” [velocity surveys] and “(8)” [geophysical survey data] are very concerning. The information required under “(6)” and “(7)” is critical and sensitive business information, and requiring it exposes it to being obtained by competitors via public records requests. As to “(8)”, under most seismic data license agreements, lessees would be contractually prohibited from disclosing the data. Also, lessees would have the same concerns regarding exposing this highly sensitive and confidential information to public records requests, as discussed above. The referenced Title 30 provisions were not written for this situation and likely do not provide the necessary protection for this information. La. RS 30:209.1 arguably deals with geophysical and geological data obtained pursuant to seismic permits and exclusive geophysical agreements and the ability of the State to maintain such data confidential under same. La. RS 30:213 provides that, for seismic permits granted after July 1, 2004, the permittee is not required to submit the data, but the Board or employees of OMR may review the data, but all such information is to be kept confidential and is excepted from the disclosure requirements under the public records laws. The statutes referenced do not clearly apply to information submitted pursuant to leases, as they were drafted more to deal with data being obtained pursuant to seismic permits and exclusive geophysical agreements. Therefor arguably there would be no protection from public records requests.

8. Termination and Release (Article 11 of the Draft 2016 Lease Form, Pages 19-20; for comparison, see Existing 2000 Lease Form Para 7)

Suggested Change: Delete “(D)”. Alternatively, delete and substitute the following:

In complying with the requirements of this Article, Lessee additionally shall compile and provide to Lessor a listing of all unplugged wells and facilities owned or operated by Lessee on the acreage released or no longer in use that require abandonment that were drilled or installed pursuant to the terms and provisions of this lease.

Reason: Requiring the list of wells and facilities places additional burden on the lessee and will delay the furnishing of releases. Requiring this information be filed in the public records with the release is not necessary and makes no sense. Additionally, the lessee has a year under Article 12(A) to conduct the plugging and abandonment and removal, and the State would seem to be protected by that provision. Forcing the listing and plan within ninety (90) days may burden the lessee by making him do it sooner than in the ordinary course with the necessary partner input and approval. Also, non-operators often do not have the information or control to comply with this and will be subject to the same liquidated damages. Also, there is some concern that with the current wording a current lessee may be responsible for wells and facilities on the lease that pre-dated the lease (the reason for the added language on “pursuant to ...”).

9. Abandonment and Restoration (Article 12 of the Draft 2016 Lease Form, Pages 20-21; for comparison, see Existing 2000 Lease Form Para 12)

Suggested Change to “(A)”: After the words “to its original condition,” add “subject to ordinary wear and tear and as reasonably practicable”.

Suggested Change to “(D)”: On page 21 on line 7 replace “possible” with “practicable”.

Reason: Given the chilling effect on business in this State from legacy lawsuits, this provision will be scrutinized by those looking to do business in this State. If we are going to include language like this it should be “subject to ordinary wear and tear” as that is more consistent with the Civil Code and case law, and “as reasonably practicable” adds a level of balance from the lessee’s perspective. Also, in some cases, removal of flowlines can be harmful to marsh, oyster leases, other flowlines, etc. Restoration of premises to original conditions can also have many variables (e.g., storms, natural subsidence, erosion, infill can greatly affect premises).

13. Responsibility for Environmental Damage (Article 14 of the Draft 2016 Lease Form, Page 21; for comparison, see Existing 2000 Lease Form Para 24)

Suggested Change: Delete all but provisions previously in lease (i.e., “(C)” and paragraph immediately following it).

Reason: This provision is extremely disturbing and will definitely discourage leasing as written. It goes way beyond any private lease forms and the matters addressed by it are better addressed by other lease provisions (damages and indemnity) and applicable

environmental and other laws. First, it uses a number of broad undefined terms (see underlined terms on pages 21-22 of the Draft 2016 Lease Form; e.g., “pollution”, “other damage to the environment”, “highest degree of care”, “pollutants” and “total environment”) (I seem to recall the draft form in an earlier iteration had a definition of “pollution” under the definitions that was likely deleted because it was overly broad and fraught with a number of other problems). Second, it purports to require Lessee to use “all means at its disposal to recapture all escaped pollutants”. As worded, we do not know what are pollutants are contemplated, how to comply and what the cost of complying with this might be. Third, it may create a private cause of action, as Lessee is agreeing to be responsible for all damage to “private property that may result from any such pollution.” The clause later goes on to provide a couple of situations where the Lessor and the Commissioner of Conservation can make certain determinations and prohibit or order the discontinuance of operations (“[sh]ould Lessor and the Commissioner of Conservation determine that continued oil and gas exploration and production operations ... may cause unsafe operating conditions, waste pollution or contamination of air, fresh water or soil, Lessee agrees that Lessor and the Commissioner of Conservation may immediately prohibit further oil and gas exploration and production operations of the Lessee's facility and/or its associated wellhead facilities until such time as Lessor and the Commissioner of Conservation determine that such operations can and will be conducted in a physically and environmentally safe manner”; “[s]hould Lessor and the Commissioner of Conservation determine that any unsafe operating condition, waste, pollution or contamination of air, fresh water or soil is imminent, further oil and gas exploration and production operations of any affected reservoir formation and associated facility shall be discontinued until such time as Lessor and the Commissioner of Conservation determine that such operations will be conducted in a physically and environmentally safe manner”). These provisions would have the effect of giving the Commissioner much broader powers, but without any regulations being promulgated, due process being provided, etc. No process is established for giving notice of violations, opportunity to cure/comply, appeal, etc.

14. Audit Rights (Article 20 of the Draft 2016 Lease Form, Page 27; for comparison, see Existing 2000 Lease Form Para 20)

Suggested Change: Delete the following: “OMR personnel shall have the same audit rights afforded the Louisiana Department of Revenue under La. R.S. 47:1542-1543”.

Reason: This language attempts to provide the same audit rights as exist for revenue and taxation, including under Section 1542.1 which provides “any document or record which a taxpayer is required to maintain in regard to a tax levied pursuant to this Subtitle, shall be retained by the taxpayer until the tax to which they relate have prescribed.” There is no prescriptive period for the payment of royalties due the State of Louisiana. The added provision itself does not provide for the period for which records must be retained. These provisions were not written for the type of audit being undertaken. The other statutory reference (i.e., 30 U.S.C. 1713), which is referenced in the current lease provision,

provides for a six (6) year retention period after the records are generated. Additionally, subpart “(A)” provides audit rights.

16. Notices There are a number of places throughout the lease where notices are to be given to the lessee, often as a trigger for penalties or liquidated damages. However, unlike most agreements in the oil and gas industry (e.g., sophisticated landowner lease forms, operating agreements, etc.), there is no notice provision. One should be added to specify how and to whom notice is to be given. For example, in many companies they would want the notices to go to the land and/or legal department. One of the biggest concerns about these various requirements is the time it may take from receipt for the notice to get to the appropriate person within a company to be handled. Also, if penalties or liquidated damages may be triggered, there should be a label stating same on the notice. You may also want to reference the appointment of a joint lessee designee pursuant to forms and policies to be promulgated by the Board.

[New language] ELP - Existing Lease Paragraph

LEASE FOR OIL, GAS AND OTHER LIQUID OR GASEOUS HYDROCARBON MINERALS

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55

STATE OF LOUISIANA State Lease No. \_\_\_\_\_  
PARISH OF EAST BATON ROUGE  
Louisiana State Lease Form Revised 2016

WHEREAS, under the provisions of Subpart A of Chapter 2, Title 30 of the Louisiana Revised Statutes, and other applicable laws, the State Mineral and Energy Board ("Board") of the State of Louisiana ("State" & "Lessor") advertised for bids for a lease covering oil, gas and other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas on the property described below; and

WHEREAS, notwithstanding any language herein to the contrary, this Lease and Lessee are subject to all laws, statutes, rules and regulations, state and federal, applicable to the subject matter of this Lease during the term this Lease is in force and effect, whether in whole or in part. As between the parties to this Lease, the duties, requirements, responsibilities and obligations set forth herein shall control. Furthermore, Lessee shall not use this Lease or any language contained herein to circumvent any obligation which may be imposed on them by any applicable law, statute, rule or regulation in effect during the term this Lease is in force and effect; and

WHEREAS, in response to required advertisements, bids were received and duly opened in the City of Baton Rouge, Parish of East Baton Rouge, State of Louisiana on the \_\_\_ day of \_\_\_\_\_, 20XX at a meeting of the Board; and

WHEREAS, on the \_\_\_ day of \_\_\_\_\_, 20XX (Effective Date), the Board accepted the bid of and awarded the Lease to \_\_\_\_\_ as Lessee, whose address is \_\_\_\_\_, as the most advantageous to the State as Lessor.

NOW THEREFORE, be it known and remembered that the Board, acting under said authority for and on behalf of the State, as Lessor, does hereby lease, let and grant unto said Lessee, and Lessee's successors, transferees and assigns, the property described below for the purpose of exploring by any method including, but not limited to geophysical and geological exploration for formations or structures, prospecting, drilling for and producing oil, gas and any other liquid or gaseous hydrocarbon minerals in solution produced with oil or gas, hereinafter sometimes referred to as oil, gas or other liquid or gaseous minerals. In connection therewith, Lessee shall have the right to use so much of the property as reasonably may be necessary for such operations including, but not limited to storing minerals and fluids in facilities or by means other than subsurface storage, laying pipelines, dredging canals, building roads, bridges, docks, tanks, power stations, telephone and electric transmission lines, and other structures and/or facilities.

The property ("Leased Premises") subject to this Lease, situated in the Parish(es) of \_\_\_\_\_, State of Louisiana, is more fully described as follows:

(PROPERTY DESCRIPTION)

This Lease excludes free sulfur, potash, lignite, salt and other solid minerals, and geothermal energy. Lessee shall not have any right to explore, drill for, mine, produce or take any action whatsoever in regard to any such solid mineral deposits, nor any right under this Lease in regard to alternative energy sources as defined by La. R.S. 30:124.

1 Notwithstanding any language herein to the contrary, the rights granted herein to  
2 Lessee shall be subject to the surface usage for seismic and geophysical exploration by  
3 any seismic permittee of the State whose valid permit predates the Effective Date of this  
4 Lease and includes all or a portion of the surface area encompassed within the  
5 geographical boundary of the Leased Premises. The said seismic permittee shall owe  
6 Lessee no duty to share seismic or geophysical information acquired under the predating  
7 permit nor to reimburse Lessee for surface usage, but said seismic permittee shall not  
8 unreasonably interfere with Lessee's exercise of its rights acquired hereunder.  
9

10 Notwithstanding any language herein to the contrary, the rights granted herein to  
11 Lessee shall be subject and subservient to surface usage for integrated coastal protection  
12 or hurricane and flood protection projects promulgated, funded and/or effected through  
13 the State of Louisiana, the Coastal Protection and Restoration Authority, the Department  
14 of Natural Resources and/or their divisions, whether solely or in conjunction with other  
15 federal, state or local government agencies, or with private individuals or entities. Lessee  
16 shall hold the State, its departments, agencies, boards and commissions including, without  
17 limitation, the Coastal Protection and Restoration Authority, the Department of Natural  
18 Resources, the Office of Mineral Resources (OMR), the State Mineral and Energy Board  
19 and their officers, employees, agents and representatives, and the United States  
20 government, its departments, agencies and divisions, together with their respective  
21 officers, employees, agents and representatives, free and harmless of and from any claims,  
22 actions and/or causes of action, except as limited by law, for loss, harm or damage to the  
23 rights of any party arising under this Lease or any other contract, permit or license related  
24 to this Lease caused by the diversion of freshwater or sediment, depositing of dredged or  
25 other materials, integrated coastal protection projects, or any other such action taken for  
26 the purpose of management, preservation, enhancement, creation, protection or  
27 restoration of coastal wetlands, water bottoms or related public or renewable resources.  
28 Lessee, in the exercise of its rights granted hereunder, shall utilize the best technology  
29 available, including directional drilling, so as to minimize interference with the ongoing  
30 surface usage entailed in the development, construction and maintenance of said  
31 integrated coastal protection and/or hurricane and flood protection projects.  
32

33 The captions or headings in this Lease are for convenience only and in no way define,  
34 limit or describe the scope or intent of any provision of this Lease.  
35

36 The references in this Lease to statutes and regulations apply to the statute and  
37 regulation as such existed at the time this Lease was revised and also to any amended or  
38 successor statute or regulation.  
39

#### 40 DEFINITIONS

41  
42 For purposes of this Lease, the following definitions shall apply:

43  
44 (A) "Anniversary date" shall mean the same date on each next ensuing year or years  
45 after the Effective Date of this Lease.

46  
47 (B) "Acceptable lease operations" shall mean either actual drilling operations or actual  
48 reworking operations, as defined below, on the Leased Premises or affecting the  
49 Lease by unitization.  
50

51 (1) "Actual drilling operations" shall mean (a) drilling commenced by  
52 spudding-in of a new well, (b) deepening or sidetracking of an existing well,  
53 (c) plugging back or attempted recompletion in a separate interval of an  
54 existing well (all such operations being commenced by actual downhole  
55 operations), or (d) completing the well.

ELP 4(d)

2 (any such)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55

Actual drilling operations shall be deemed to terminate on the last day downhole operations of any kind, such as drilling, testing or installation of equipment, are conducted in good faith for the purpose of attempting to discover minerals or complete a well as a producer.

(2) "Actual reworking operations" shall mean reconditioning, cleaning out or otherwise attempting to directly establish, increase or restore production in an existing well by downhole operations.

Actual reworking operations shall be deemed to terminate on the last day any such downhole operations are conducted in good faith for the purpose of establishing, increasing or restoring production.

[Under no circumstances shall drilling or otherwise ~~erecting~~ salt water disposal wells constitute actual drilling or reworking operations for purposes of maintaining this Lease.]

*converting existing wells to*

*(installation of equipment that is)*

(3) "Installation of equipment" shall mean ~~that equipment~~ necessary to maintain downhole completion activity. The installation of flowlines or other surface facilities needed to produce the well shall not be considered as actual drilling operations.

*ELP 4(d)*

(C) "Paying quantities" shall mean paying quantities as defined by La. R.S. 31:124 and, in addition, notwithstanding the provisions of La. R.S. 31:125, the amount of royalties payable on such production must also be sufficient to constitute serious or adequate consideration in relation to the amount of other leasehold payments such as bonus, rental or other sums.

*EL uses "independent party" instead see ELP 6(h)*

[ (D) "Affiliated Party" shall mean a person or entity whose relationship with Lessee is such that either party has the power to control the other, or a third party that controls or has the power to control the both. Control shall be determined as follows:

- (1) A company, firm or other business unit is:
  - (a) A direct part of Lessee's corporate or other business structure;
  - (b) A wholly owned, partially owned, or actually or partially controlled subsidiary corporation or other business unit of Lessee;
  - (c) A parent corporation of Lessee; or
  - (d) A wholly owned, partially owned, or actually or partially controlled subsidiary of Lessee's parent corporation.

(2) Ownership or common ownership of more than fifty (50%) percent of the voting securities or instruments of ownership, or other forms of ownership, of another shall constitute control (and therefore, a rebuttable presumption of affiliation). Ownership of less than ten (10%) percent constitutes a rebuttable presumption of non-control (presumed non-affiliate).

(3) If there is ownership or common ownership of ten (10%) percent through fifty (50%) percent of the voting securities or instruments of ownership, or other forms of ownership, of another, the following factors shall determine whether there is control:

- (a) The extent to which there are common officers or directors;

- 1 (b) With respect to the voting securities or instruments of ownership, or  
 2 other forms of ownership, the percentage of ownership or common  
 3 ownership; the relative percentage of ownership or common  
 4 ownership compared to the percentage(s) of ownership of other  
 5 persons; whether a person is the greatest single owner; or whether  
 6 there is an opposing voting bloc of greater ownership;  
 7 (c) Common operation of a lease, plant, pipeline or other facility;  
 8 (d) The extent of participation by other owners in operations and day-to-  
 9 day management of a lease, plant, pipeline or other facility; and  
 10 (e) Other evidence of power to exercise control over or common control  
 11 with another person.  
 12  
 13 (4) Regardless of any percentage of ownership or common ownership, the  
 14 presence of common interests among members of a family creates a  
 15 rebuttable presumption of affiliation.  
 16  
 17 (5) The term "Affiliated Party" shall apply to marketing firms engaged in the  
 18 sale of Lessee's oil, gas or products.  
 19  
 20 (E) "Non-affiliated party" shall mean a person, company, firm or other business unit  
 21 that is not an affiliated party.  
 22  
 23 (F) "Rental paying date" shall mean the anniversary date during the Primary Term  
 24 unless the date is extended by other terms of the Lease.  
 25  
 26 (G) "Outside acreage" shall mean that portion of the Leased Premises not included in a  
 27 unit or units on which unitized operations are being conducted.  
 28  
 29 (H) "Lessee" shall mean the original Lessee and such Lessee's successors, transferees,  
 30 sublessees and assigns, and additionally shall include Lessee's employees,  
 31 contractors, agents, representatives and other persons or entities acting for or on  
 32 behalf of Lessee.  
 33  
 34 (I) "Leasehold payment" shall mean rental, deferred development or shut-in payments.  
 35  
 36 (J) "Unit" shall mean pooled mineral acreage by order of a governmental agency or by  
 37 conventional agreement.  
 38  
 39 (K) "Unitized operations" shall mean production in paying quantities and/or acceptable  
 40 lease operations attributed to a well or wells designated as a unit well, substitute  
 41 unit well or alternate unit well in a unit or units encompassing all or a portion of  
 42 the participating Leased Premises or from property other than the Leased Premises  
 43 within the pooled or unitized area.

44  
 45 **ARTICLE 1 - BONUS**

46  
 47 Lessee has this day paid to Lessor a cash payment of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars,  
 48 one-half (1/2) of which is bonus as full and adequate consideration for every right granted  
 49 hereunder, and one-half (1/2) of which is rental for the first year of this Lease.  
 50

51 **ARTICLE 2 - PRIMARY TERM**

52  
 53 (A) Subject to the provisions hereof, this Lease shall be for a term of \_\_\_\_ ( ) years  
 54 (Primary Term) and for so long thereafter as oil, gas or other liquid or gaseous  
 55 hydrocarbons are produced in paying quantities, acceptable lease operations are

ELP23

ELP1

ELP2

1 conducted, leasehold payments are made or conditions exist that continue this  
2 Lease in force and effect according to its terms.

3  
4 (B) However, if this Lease is for an inland tract that ordinarily carries a Primary Term  
5 of three (3) years or less, it may be possible to extend the Primary Term by two (2)  
6 years if the Board determines that certain conditions have been met. Specifically,  
7 prior to the expiration of the (original) Primary Term, Lessee must demonstrate to  
8 the Board, by convincing evidence, that either of the following conditions has been  
9 met:

10  
11 (1) This Lease is included within a unit, or a pilot project has been approved by  
12 the Office of Conservation for a unit, or Lessee has filed an application for a  
13 unit under La. R.S. 30:5(C) for inclusion of all or a portion of the Leased  
14 Premises within a unit for the purpose of conducting a secondary or tertiary  
15 recovery project; or

16 (2) [ Lessee has commenced activities necessary for the drilling of an ultra-deep  
17 well including, but not limited to having applied for a permit to drill an  
18 ultra-deep well, having formed a unit including all or a portion of the  
19 Leased Premises for the purpose of drilling an ultra-deep well, or having  
20 provided a signed affidavit by Lessee stating that this Lease will be  
21 included, in whole or in part, in a unit for the purpose of drilling an ultra-  
22 deep well, or that this Lease is included in a lease block maintained in  
23 support of the drilling of an ultra-deep well.] For purposes of this paragraph  
24 only, "ultra-deep" shall mean a depth of twenty-two thousand (22,000') feet  
25 or greater True Vertical Depth (TVD).

26  
27 If the Board determines that Lessee has met its burden of proving the  
28 required conditions set forth above, the Board may extend the Primary Term  
29 of this Lease by two (2) additional years through an acknowledgment  
30 Resolution having the effect of an amendment of this Lease.

31  
32 [(C) If the Primary Term is extended under (1) or (2) above, Lessee's failure, before the  
33 end of the extended term, to commence secondary or tertiary recovery operations  
34 or commence drilling of the ultra-deep well and reach the required True Vertical  
35 Depth (unless prevented due to mechanical or other related downhole causes), shall  
36 subject Lessee, after demand, to liquidated damages equal to a double rental  
37 payment, payment of which shall be due within thirty (30) days of the end of the  
38 extended Primary Term, regardless of whether this Lease is held by other  
39 production or acceptable Lease operations not qualifying as a secondary or tertiary  
40 recovery project.]

41  
42 **ARTICLE 3 - LEASE MAINTENANCE PAYMENTS**

43  
44 (A) If actual drilling operations on the Leased Premises are not commenced hereunder  
45 in good faith on or before one (1) year from the Effective Date hereof, this Lease  
46 shall then terminate unless Lessee, on or before the expiration of that period, pays  
47 to Lessor the sum of \_\_\_\_\_ (\$\_\_\_\_\_) Dollars as rental as set forth in  
48 Article 1, which payment shall extend for twelve (12) months the time within  
49 which actual drilling operations may be commenced. Thereafter, annually, in like  
50 manner and upon like payments, all of Lessee's rights hereunder may be  
51 maintained without actual drilling operations for successive periods of twelve (12)  
52 months each during the Primary Term. Payment of rental by Lessee may be made  
53 by check, [wire] or draft payable to the order of the Office of Mineral Resources and  
54 delivered or mailed to OMR on or before the rental paying date.

55 [the] 5

["OMR"]

Similar  
to  
ELP2

ELP3

(reworking operations were omitted)

acceptable lease

ELP4(a)

1 (B) On any rental paying date, if actual drilling operations are being conducted on or  
 2 production in paying quantities is being obtained from the Leased Premises, no  
 3 rental shall be due for the annual rental period then commencing. If actual drilling  
 4 operations are abandoned or production ceases at any time within a period of  
 5 ninety (90) days prior to any rental paying date, Lessee shall have a period of  
 6 ninety (90) days after the date of such abandonment of drilling operations or  
 7 cessation of production within which to commence or resume such drilling  
 8 operations or production on the Leased Premises, or make the rental payment. The  
 9 commencement or resumption of such operations or production or payment of  
 10 rental within the ninety (90) day period shall have the same effect as though such  
 11 were commenced, resumed or paid on or before the rental paying date.  
 12

13 (C) In the final year of the Primary Term, if acceptable lease operations and/or  
 14 production in paying quantities ("operations and/or production") are not in  
 15 progress, or operations and/or production cease on or before ninety (90) days prior  
 16 to expiration of the Primary Term, if Lessee commences or resumes operations or  
 17 production prior to expiration of the Primary Term, this Lease shall continue for so  
 18 long as operations and/or production continue without a lapse of greater than  
 19 ninety (90) days between cessation of operations or production and their  
 20 recommencement.  
 21

22 If operations and/or production cease within ninety (90) days prior to expiration of  
 23 the Primary Term or at any time beyond the Primary Term, and the operator  
 24 commences or resumes operations or production within ninety (90) days, this  
 25 Lease will continue for so long as operations and/or production continue without a  
 26 lapse of greater than ninety (90) days between cessation of operations or  
 27 production and their recommencement.  
 28

29 (D) This Lease may be maintained by directional drilling operations (deviation from  
 30 vertical), in which event actual drilling operations shall be considered to have  
 31 commenced on the Leased Premises when the drill stem penetrates beneath the  
 32 surface of the Leased Premises or a unitized area affecting the Leased Premises.  
 33

ELP23

34 (E) Deferred Development Payments:

35 Consistent with La. R.S. 30:129, during the Primary Term of this Lease and for  
 36 one (1) year thereafter, if this Lease is being maintained and if a portion of the  
 37 property covered by this Lease is included in a unit, by order of a governmental  
 38 agency or by conventional agreement, then commencement of unitized operations  
 39 on that unit shall maintain this Lease as to the entirety of the Leased Premises. This  
 40 provision is subject, however, to the following:  
 41

- 42
- 43 (1) The Lease's outside acreage shall terminate unless Lessee either:
- 44
- 45 (a) Commences and maintains acceptable lease operations or production  
 46 in paying quantities ("operations or production") on the outside  
 47 acreage; or  
 48
- 49 (b) Pays Lessor a sum equal to one-half of the per-acre cash payment  
 50 made for this Lease multiplied by the number of acres then  
 51 comprising the outside acreage ("deferred development payment").  
 52
- 53 (2) The deferred development payment shall maintain the outside acreage until  
 54 the next anniversary date. Deferred development payments made on or  
 55 before an anniversary date shall maintain the outside acreage of this Lease

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55

for up to two (2) years beyond the Primary Term.

- (3) If operations or production on the outside acreage should cease within the ninety (90) days prior to an anniversary date for which a deferred development payment would be available, Lessee may make a full deferred development payment within ninety (90) days of said cessation and maintain the outside acreage until the next anniversary date.
- (4) After expiration of the periods for which a deferred development payment would be available, if the outside acreage of this Lease is not being maintained, the Lease shall terminate as to all outside acreage.
- (5) After the expiration of said deferred development periods, if unitized operations are commenced on or affecting the outside acreage and the outside acreage is not otherwise being maintained, the outside acreage created thereby will terminate at the end of the ninety (90) day period commencing on the effective date of unitized operations.
- (6) Nothing contained in this Section (E) is intended to create nor shall have the effect of creating several or separate Leases, or in any manner serve to extend, increase or limit the obligation of Lessee to protect the Leased Premises from drainage as stated in the Lease or otherwise.
- (7) The provisions of this Section (E) shall apply to any unit that wholly underlies the property covered by this Lease.

(F) Shut-in Payments:

[Lessee's utilization of this provision requires Board approval and shall be at the sole discretion of the Board, which approval shall not be unreasonably withheld.] Lessee must provide proof of the qualifying conditions in accordance with the Board's requirements. [Lessee's request must be received by the Board with reasonable time for consideration and approval by the Board.]

- (1) [Lessee may request to] make a semi-annual payment (shut-in payment) to maintain this Lease for a six (6) month period (shut-in period) provided the following conditions (qualifying conditions) are met:
  - (a) There is a shut-in well on the Leased Premises or within a unit that includes all or a portion of the Leased Premises;
  - (b) Such well is capable of commercial production of oil and/or gas;
  - (c) Oil and/or gas from such well are not being used, produced or marketed because of the lack of a marketing contract or production/marketing facilities;
  - (d) [Lessee has made and is continuing to make reasonable efforts to secure a marketing contract or production/marketing facilities;]
  - (e) This Lease is not then otherwise being maintained;
  - (f) A period of ninety (90) days has not elapsed after the cessation of acceptable lease operations or production in paying quantities (operations or production); and
  - (g) Operations or production have not commenced or resumed from such well.

(2) [Lessee's requests to the Board] and the required shut-in payments shall be in accordance with the following:

ELP 6(d)  
(i) & (ii)

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38  
39  
40  
41  
42  
43  
44  
45  
46  
47  
48  
49  
50  
51  
52  
53  
54  
55

- (a) During any year for which this Lease is maintained pursuant to (A) or (B) of Article 3, a shut-in payment shall not be required before the next anniversary date. Lessee's request for shut-in payment authority must be received prior to such anniversary date.
  - (b) If the onset of the qualifying conditions occurs less than ninety (90) days prior to an anniversary date for which a rental payment may be made, Lessee's request must be received prior to such anniversary date and the shut-in payment submitted prior to the date authorized by the Board.
  - (c) If the onset of the qualifying conditions occurs less than ninety (90) days prior to the end of the Primary Term or any time beyond the Primary Term, Lessee's request and the shut-in payment must be received prior to expiration of the Lease.
  - (d) Subsequent requests for consecutive shut-in periods must be received prior to the end of each shut-in period. The requested period, if authorized, shall commence upon expiration of the then existing shut-in period.
- (3) Each shut-in payment shall be at the rate of Fifty (\$50.00) Dollars per acre for the acreage not otherwise maintained under the terms of this Lease, but in no event shall payment be less than One Thousand (\$1,000.00) Dollars. Shut-in payments are due prior to the commencement of each authorized shut-in period.
- (4) Each payment shall maintain this Lease for a period of six (6) months and during each such period, it shall be considered that oil and/or gas are being produced in paying quantities for Lease maintenance purposes only.
- (5) [Lessee may request up to a maximum of six (6) consecutive shut-in periods if the aforesaid qualifying conditions persist and provided that, prior to the end of each shut-in period, Lessee obtains Board authorization in accordance herewith.] Thereafter, if circumstances warrant, at a future date Lessee may again request and be authorized by the Board to utilize this shut-in provision in accordance with the terms and requirements herein.
- (6) [Notwithstanding the limitation upon consecutive shut-in periods in (5) above, for compelling reasons proven to the satisfaction of the Board, Lessee may request, and the Board may grant an additional shut-in period or periods in accordance with the terms and requirements herein, with any such extension(s) to be approved via an acknowledgment Resolution having the effect of an amendment of this Lease.]
- (7) After the last day of any shut-in period, this Lease shall terminate unless it is maintained under another Lease provision.

**ARTICLE 4 - FINANCIAL SECURITY**

- (A) In accepting this Lease and its terms, Lessee agrees that Lessee or an operator drilling on the Leased Premises shall provide financial security for the plugging and abandoning, and associated site restoration of each well drilled. Lessee's obligation to provide financial security also is required upon a change of operatorship of a well on the Leased Premises.
- (B) The nature and extent of the financial security required hereby shall be as set forth

1 in LAC 43:XIX §104. In no event, however, shall the financial security  
2 requirements of this Lease be less than those set forth in said regulation as such  
3 was in effect on September 1, 2015.  
4

- 5 (C) Lessee's obligation under this Lease to provide financial security for the plugging  
6 and abandoning, and associated site restoration of each well drilled shall be  
7 satisfied by fully and continually complying with the applicable statutes, rules and  
8 regulations of the Office of Conservation as set forth in (B) above.  
9
- 10 (D) Lessee shall furnish to the Board, upon request, evidence of the financial security  
11 so provided to the Commissioner of Conservation.]  
12

13 **ARTICLE 5 - OFFSET WELLS**  
14

15 The obligations set forth in this Article apply only to wells drilled on property other  
16 than the Leased Premises and which are not part of a pooled unit containing all or any  
17 portion of the Leased Premises [or drilled on offsetting State Leases or State Operating  
18 Agreements at a lesser royalty or state interest rate.] Such non-unitized property is  
19 hereinafter referred to as "adjoining property".  
20

- 21 (A) At any time during or after the Primary Term, if there is completed on adjoining  
22 property a well located within six hundred and sixty (660') feet of the Leased  
23 Premises (or within any spacing or pooling unit distance greater than 660'  
24 established by the Commissioner of Conservation) and such well produces oil, gas  
25 or other liquid or gaseous mineral in paying quantities for twenty (20) days (that  
26 need not be consecutive) during any period of thirty (30) days, or produces its  
27 monthly allowable during such thirty (30) day period, Lessee agrees that the  
28 following rebuttable presumptions will arise: (1) that the Leased Premises is  
29 thereby being drained; (2) that the Leased Premises is not reasonably being  
30 protected from drainage by any well or wells on the Leased Premises or land  
31 pooled therewith; and (3) that an offsetting well on the Leased Premises would be  
32 economically feasible. If Lessee is the operator of or has a working interest in the  
33 well on the adjoining property, Lessee shall begin actual drilling operations for a  
34 well on the Leased Premises within ninety (90) days after the end of the above  
35 thirty (30) day period.  
36
- 37 (B) In all other cases, Lessee shall be required to begin such operations only within  
38 ninety (90) days after receipt of written notice from the Board of the expiration of  
39 such thirty (30) day period. No offset well shall be necessary if, on or before the  
40 maturity date of the offset obligation or any deferred maturity date as hereinafter  
41 provided, any of the stated presumptions is rebutted or a unit for the well in  
42 question is formed by agreement with the Board or by Order of the Commissioner  
43 of Conservation.  
44
- 45 (C) In lieu of commencing operations for an offset well as above provided, Lessee  
46 may, at its option, commence compensatory payments to Lessor equal to the  
47 royalty herein provided, computed on one-half (1/2) of the oil, gas or other liquid  
48 or gaseous mineral produced by the well in question on and after the date  
49 operations would otherwise have been commenced, value to be determined in  
50 accordance with the royalty payment provisions of this Lease. Such payments may  
51 be commenced on or before sixty (60) days after the date operations would  
52 otherwise have been commenced, but shall include any accrued compensatory  
53 payments. Thereafter, payments shall be due monthly in accordance with royalty  
54 payment provisions herein.  
55

ELP 5

1 Lessee shall not be in default in either commencing compensatory payments or in  
2 making further payments as above provided if, despite due diligence, Lessee is  
3 unable to timely obtain the production information on which such payments are to  
4 be based. In such case, however, Lessee must, on or before the payment due date,  
5 notify the Board, in writing, of Lessee's inability to make such payment, the  
6 reason(s) therefor and Lessee's intention of making such payment at the earliest  
7 reasonable time.  
8

9 Compensatory payments may be continued, at Lessee's discretion, for not more  
10 than one (1) year from the date offset operations otherwise would have  
11 commenced. At the end of that time, or within thirty (30) days from the end of any  
12 lesser period for which payments are made, Lessee shall comply with this offset  
13 obligation if the producing well continues to produce in paying quantities or to  
14 produce its allowable, and the other conditions making this obligation operative  
15 continue to exist. The right to make compensatory payments is intended to permit  
16 Lessee to further evaluate the producing well, and the making of such payments  
17 shall not of itself be sufficient to maintain this Lease if the Lease is not otherwise  
18 being maintained; however, the making of such payments shall not prejudice  
19 Lessee's right to rebut any of the above enumerated presumptions.  
20

21 (D) In addition to the specific offset drilling obligation above provided, should Lessee  
22 know or have reason to know, by examination of geological, seismic or other  
23 relevant data, that drainage of the Leased Premises is occurring, Lessee agrees to  
24 protect the Leased Premises from drainage of oil, gas or other liquid or gaseous  
25 minerals by a well or wells on adjoining property [that may be more than six  
26 hundred and sixty (660') feet from the Leased Premises by whatever means  
27 necessary] including the drilling of a well(s) on the Leased Premises or obtaining  
28 the formation of appropriate drilling or production units. If Lessee is the operator  
29 of or has a working interest in any such well on adjoining property, Lessee shall be  
30 obligated, within ninety (90) days from the time Lessee knows or reasonably  
31 should know that drainage is occurring, to take such steps as reasonably necessary  
32 to protect the Leased Premises. In all other cases, Lessee shall not be obligated to  
33 begin such operations or take other steps until receipt of written notice from the  
34 Board.  
35

36 (E) In those instances in which notice from the Board is expressly required under this  
37 Article, if due, damages shall be computed only from the date that notice is  
38 received or, if Lessee commences compensatory payments, the date on which such  
39 payments are discontinued. In those instances in which there is no requirement of  
40 notice, if due, damages shall be computed from the time Lessee knew or  
41 reasonably should have known drainage was occurring. [The damages contemplated  
42 herein shall consist of the royalty percentage of this Lease, multiplied by the value  
43 (as calculated hereinbelow) of one-half (1/2) of the production from the draining  
44 well, and may include lease cancellation for refusal by Lessee to take the steps  
45 necessary to prevent drainage.] Written notice from Lessor containing a demand for  
46 performance shall be necessary as a prerequisite to any action for cancellation of  
47 this Lease for Lessee's nonperformance of its obligation to protect the Leased  
48 Premises against drainage.  
49

50 **ARTICLE 6 – ROYALTY**  
51

52 Unless Lessor elects to take in-kind all or any part of the portion due Lessor as  
53 royalty on minerals produced and saved hereunder, which option is hereby expressly  
54 reserved by Lessor pursuant to La. R.S. 30:127(C), and which option is to be exercised by  
55 written notice by Lessor to Lessee at any time and from time to time while this Lease is in

ELPG

1 effect (either prior or subsequent to acceptance by Lessor of royalties other than in-kind),  
2 it being understood that nothing contained in this Lease shall ever be interpreted as  
3 limiting or waiving said option, Lessee shall pay to Lessor as royalty:

4  
5 (A) \_\_\_\_\_ (\_\_\_\_%) percent of the value, as  
6 hereinafter provided, of all oil, including condensate or other liquid mineral,  
7 produced (includes sales, stored or traded in-kind) and saved or utilized by  
8 methods considered ordinary production methods at the time of production. The  
9 value of such oil sold to a non-affiliate or affiliate shall not be less than the fair  
10 market price. [“Fair market price” may include one or more of the following:  
11 NYMEX, NYMEX + roll, either of the major Oil Market Centers (St. James,  
12 Cushing, Empire or Argus) or any combination of Field Posted Price, plus Platt’s  
13 P+, plus any market adjustments or, if at a future date, the Fair Market Valuation  
14 changes to something other than those listed above, the new method of Fair Market  
15 Valuation may be considered and/or utilized.]

16  
17 Lessee shall not make any deduction whatsoever for the cost of any operation,  
18 process, facility or other item considered to be a production function or facility at  
19 the time such oil is run. Without limiting the foregoing sentence and without  
20 regard to classification as production costs or otherwise, the following costs shall  
21 not be deducted from the value of production: (1) costs incurred for gathering,  
22 moving or transporting production within the field boundaries; (2) costs incurred  
23 for handling, treating, separating, fractionating or in any way processing  
24 production to make it marketable by methods considered ordinary at the time such  
25 oil is run; (3) the cost of storage on the Lease or in the field; (4) marketing fees,  
26 any other miscellaneous fee, or unspecified discounts and/or subtractions from the  
27 base price incurred during or related to the sale of oil by the Lessee, affiliated or  
28 non-affiliated party; and (5) line loss. The performance of any producing function  
29 or any function mentioned within clauses (2) and (3) above at a commingled  
30 facility in or outside the field in which this Lease is situated shall not make the cost  
31 of any such function deductible.

32  
33 If Lessee delivers oil at a point outside the field in which this Lease is situated by  
34 means of facilities belonging to a non-affiliated party, Lessee may deduct from the  
35 value of such oil a reasonable sum not in excess of actual costs, as evidenced by  
36 invoices from the transporter(s), for the transportation from the field boundary to  
37 the point of delivery. If such transportation is by means of facilities owned by an  
38 affiliated party, Lessee may deduct the actual cost of such transportation, but only  
39 if such cost is no greater than the fair market value of the services performed. If  
40 actual cost is greater than fair market value, the fair market value shall determine  
41 the amount subject to deduction. However, if the facilities used are regulated as a  
42 common carrier by a state or federal regulatory agency, the authorized tariff  
43 chargeable and paid by Lessee for the services rendered shall be deemed the fair  
44 market value of such services. If such transportation is by means of facilities  
45 owned by Lessee, Lessee may deduct from the value of production a reasonable  
46 sum for such services computed as follows: the amount deductible shall include  
47 only (1) the direct cost of operations and maintenance, including costs of labor,  
48 direct supervision, fuel, supplies, ordinary repairs and ad valorem taxes; and (2)  
49 depreciation of the facility computed over the estimated life of the field or the  
50 reserves.

51  
52 If Lessee receives any compensation for any function or process for which Lessee  
53 is responsible to Lessor without right to deduct costs including, but not limited to  
54 (1) handling, gathering or transporting such oil, or (2) treating or processing such  
55 oil by ordinary methods to make it marketable, the amount of such compensation

1 shall be added to the value of such oil when computing royalties. If Lessee is  
2 deducting costs for any functions for which it also is receiving compensation,  
3 deductions may be made for costs only to the extent they are in excess of any such  
4 compensation.

5  
6 (B) \_\_\_\_\_ (\_\_\_\_%) percent of the  
7 value, as hereinafter provided, of all gas, including casinghead gas, produced  
8 (includes sales, vented, flared, stored, interlease sales and utilized gas), sold and  
9 stored, saved or utilized by methods considered as ordinary production methods at  
10 the time of production. The value of such gas sold to a non-affiliated or affiliated  
11 party, or vented, flared, flash gas or gas utilized (includes gas used in lift  
12 operations) by Lessee in the field shall not be less than the fair market price. [“Fair  
13 Market Price” may include one or more of the following: a pipeline index in the  
14 field or adjacent to the field; Bloomberg Liquified Petroleum Gas Prices, Platt’s LP  
15 Gas Wire; NGCH published in the “Foster Natural Gas Report”, a NYMEX  
16 closing price; a Henry Hub price, plus/minus premium; and/or transportation  
17 outside the field; or if at a future date the Fair Market Valuation changes to  
18 something other than those listed above, the new method of Fair Market Valuation  
19 may be considered and/or utilized.]  
20

21 Except as expressly authorized hereby, Lessee shall not make any deduction  
22 whatsoever for the cost of any operation, process, facility or other item considered  
23 to be a producing function at the time such gas is produced. Without limiting the  
24 foregoing sentence and without regard to classification as production costs or  
25 otherwise, the following costs are not to be deducted from the value of production:  
26 (1) costs incurred for gathering, moving or transporting production within the field  
27 boundaries; (2) costs incurred for dehydrating, decontaminating (as with an amine  
28 plant inside the field), fractionating or in any way processing production to make it  
29 marketable by methods considered ordinary at the time such gas is produced; (3)  
30 marketing fees, any other miscellaneous fee, or unspecified discounts and/or  
31 subtractions from the base price incurred during or related to the sale of gas by the  
32 Lessee, affiliated or non-affiliated party; and (4) line loss. The performance of any  
33 producing function or any function mentioned in (2) above at a commingled  
34 facility inside or outside the field in which this Lease is situated shall not make the  
35 cost of any such function deductible. Without regard to classification as  
36 production costs or otherwise, Lessee may deduct costs incurred for compression  
37 of gas at a point in or adjacent to the field for insertion into a purchaser’s line or  
38 into a line owned by Lessee or a carrier for transportation to a point of delivery  
39 outside the field.  
40

41 If Lessee delivers gas at a point outside the field in which this Lease is situated by  
42 means of facilities belonging to a non-affiliated party, Lessee may deduct from the  
43 value of such gas a reasonable sum not in excess of actual costs, as evidenced by  
44 invoices from the transporter(s), for transportation from the field boundary to the  
45 point of delivery. If such transportation is by means of facilities owned by an  
46 affiliated party, Lessee may deduct the actual cost of such transportation, but only  
47 if such cost is no greater than the fair market value of the services performed. If  
48 actual cost is greater than fair market value, the fair market value shall determine  
49 the amount subject to deduction. If such transportation is by means of facilities  
50 owned by Lessee, Lessee may deduct from the value of production a reasonable  
51 sum for such services computed as follows: the amount deductible shall include  
52 only (1) the direct cost of operations and maintenance, including costs of labor,  
53 direct supervision, fuel, supplies, ordinary repairs and ad valorem taxes, and (2)  
54 depreciation of the facility calculated over the estimated life of the field or the  
55 reserves.

1  
2 If Lessee receives any compensation for any function or process for which Lessee  
3 is responsible to Lessor without right to deduct costs including, but not limited to  
4 handling, gathering or transporting such gas, or dehydrating, decontaminating or in  
5 any way processing production to make it marketable, the amount of such  
6 compensation shall be added to the value of such gas when computing royalties. If  
7 Lessee is deducting costs for any functions for which it is also is receiving  
8 compensation, deductions may be made for costs only to the extent they are in  
9 excess of any such compensation.  
10

11 (C) In addition to the separation of condensate or other liquid mineral from gas by  
12 ordinary production methods (as to which Lessor shall receive royalties as above  
13 provided and for which separation, no charge may be made by Lessee), gas  
14 produced hereunder, including casinghead gas, may be processed in a gasoline or  
15 other extraction plant in or serving the field, and products may be recovered  
16 therefrom either directly by Lessee or under prudently negotiated contracts  
17 executed by Lessee. If Lessee enters into a prudently negotiated contract for the  
18 processing of gas with a non-affiliated party or parties under which such party or  
19 parties retain in-kind a portion of the products recovered from or attributed to such  
20 gas, in lieu of processing fees, the in-kind portion of the products kept as the  
21 processing fee must be reasonable and prudently negotiated, just as any processing  
22 fee must be reasonable and prudently negotiated. Lessee shall be held accountable  
23 for royalty due on excessive in-kind retention. Lessee shall pay royalty on residue  
24 gas sold as detailed for gas sold in (B) above based on the value, as hereinafter  
25 determined, of Lessee's share of such products under such prudently negotiated  
26 contract. Residue gas is defined as: all plant source gas delivered by a producer for  
27 processing, less shrinkage due to liquid extraction; fuel required for plant  
28 equipment necessary for liquid extraction; flare gas; and unavoidable losses. In all  
29 other cases, Lessee shall pay the royalty provided for gas in (B) above based on the  
30 value, as hereinafter determined, of the total products recovered, after deducting  
31 therefrom the costs of processing as specified below.  
32

33 If the products referenced in (C) above are sold by Lessee to a non-affiliated party  
34 under a prudently negotiated contract, the price(s) agreed upon and received shall  
35 not be less than a fair market price (which may exceed index price). Such  
36 transactions are subject to audit utilizing the criteria in the following paragraph,  
37 and subject to the right of Lessor to verify sales and subsequent royalty payment  
38 based upon fair market price.  
39

40 If the products are sold by Lessee to an affiliated party under a prudently  
41 negotiated contract or under a contract that would not have been considered  
42 prudently negotiated if executed by a non-affiliated party, the value of the products  
43 shall be the fair market value as detailed above. The value of such products (or  
44 Lessee's share thereof) sold in the absence of a prudently negotiated contract shall  
45 be determined as follows: (1) the fair market value for products sold at the plant;  
46 (2) if no products are being sold at said plant, the average of market values for like  
47 products of the same grade and quality at the three nearest plants where such  
48 products are sold. In no event shall products be valued at an amount less than "fair  
49 market value" as detailed above.  
50

51 When the cost of processing is not met by retention by the processor of a share of  
52 the products or in any other case in which Lessee may deduct from the value of  
53 such products the reasonable and prudent costs of processing, the charges shall be  
54 determined as follows: (1) if the gas is processed by a non-affiliated party under a  
55 prudently negotiated contract, the reasonable costs that may be deducted shall be

1 those provided in such contract; or (2) if the gas is processed by an affiliated party,  
2 or is processed at a plant in which Lessee has an ownership interest, the combined  
3 value of the residue gas as set forth herein and the liquid or gaseous products  
4 resulting from such processing used to determine royalty shall not be less than as  
5 though royalty were calculated on the value (as determined under the provisions of  
6 (B) above of volume on said gas before processed, produced, saved and utilized  
7 from the Leased Premises).

8  
9 The following costs are never to be deducted: (1) any and all marketing fees  
10 incurred for the sale of the plant products; and (2) any and all costs for which the  
11 Lessee is reimbursed by another party.

12  
13 When processing involves an affiliated party or parties, or Lessee has an ownership  
14 interest in the plant, charges are determined by the contract between Lessee as  
15 producer and processor. In the absence of such a contract, deductible charges are  
16 limited to the proportionate part of (1) the annual direct costs of operating and  
17 maintaining the plant, including costs of labor and on-site supervision, shrinkage,  
18 materials, supplies and ordinary repairs, (2) plant depreciation, less salvage value,  
19 computed over the life of the field(s) served by the plant, or other such method as  
20 agreed upon by the Board and Lessee, and (3) ad valorem taxes.

21  
22 In accordance with the provisions of (C) above, Lessor shall be entitled to the  
23 royalty for gas provided in (B) above based on the value of Lessee's share of the  
24 residue gas sold or otherwise disposed of after processing.

25  
26 Total royalty on residue gas and liquids shall never be less than royalty calculated  
27 using unprocessed gas volume available for sale at the wellhead.

28  
29 (D) \_\_\_\_\_ (\_\_\_\_%) percent of  
30 any and all other liquid or gaseous hydrocarbon minerals in solution produced with  
31 oil or gas and saved or utilized that are not specifically mentioned herein, said  
32 royalties to be delivered or paid when marketed or utilized in accordance with the  
33 accepted practice in such matters.]

34  
35 Lessor's royalty shall be calculated and paid after deduction of all severance taxes.

36  
37 The first payment of royalty shall be made within one hundred twenty (120) days  
38 following commencement of production from or allocation of production to the Leased  
39 Premises, except that in the case of any production from or allocable to the Leased  
40 Premises that has occurred prior to the Effective Date, but which is deemed to be covered  
41 by this Lease, Lessee hereby agrees to pay royalty on all such prior production within one  
42 hundred twenty (120) days from the Effective Date. Thereafter, royalty on oil, including  
43 condensate or other liquid mineral, produced and saved at the well by ordinary production  
44 methods shall be paid by the 25<sup>th</sup> day of each month on production from the previous  
45 month. Thereafter, royalty on gas, including liquids or other products extracted or  
46 processed from gas other than by ordinary production methods, or other liquid or gaseous  
47 mineral not specifically mentioned, shall be paid on or before the 25th day of the second  
48 month following that in which such product was produced or extracted or processed. In  
49 the event any royalty payment is not correctly or timely made, the remedies provided by  
50 La. R.S. 30:136 and 31:137-142 relative to penalties, notice, damages, interest, attorney  
51 fees and dissolution shall be applicable, except that interest shall be payable thereon until  
52 paid without any requirement for prior written notice by Lessor to Lessee.

53  
54 [Lessee shall be responsible for designating one payor of all royalties due under this  
55 Lease per Lease Unit Well (LUW) Code or Lease in the event the Leased Premises is not

1 unitized in accordance with La. R.S. 30:9 and 30:10. Designation of a payor for each  
2 LUW Code or Lease shall be made to the Property Section of the Mineral Income  
3 Division of the Office of Mineral Resources. If reporting and payments are not received  
4 timely and properly, Lessee, its successor, transferees and assigns shall be subject to  
5 penalties, after notice, in accordance with La. R.S. 30:136(B).  
6

7 Lessee shall report all production of hydrocarbons and associated liquid or gaseous  
8 minerals from or attributable to this Lease to the Production Audit Division of the Office  
9 of Conservation and to the Mineral Income Division of the Office of Mineral Resources  
10 by appropriate SR forms containing both the LUW Code and the Well Serial Number.  
11 Failure to report production as herein specified shall be deemed "improper reporting",  
12 which shall subject Lessee to the penalty specified therefor.  
13

14 **ARTICLE 7 – TRANSFERS AND ASSIGNMENTS**

15  
16 The parties hereto understand and agree to the following:  
17

18 (A) In accordance with La. R.S. 30:128, no assignment, sublease or other transfer  
19 (collectively "assignment"), in whole or in part, of any rights or interests granted to  
20 Lessee under this Lease shall be valid unless approved by the Board.  
21

22 (B) Prior or subsequent to any such assignment, but in no event later than sixty (60)  
23 days from the date of execution of the assignment, the assignor shall present to  
24 OMR a request for approval of the assignment by the Board. Failure to do so shall  
25 subject the assignor to the civil penalty required by La. R.S. 30:128 beginning on  
26 the sixty-first (61<sup>st</sup>) day following the date of execution of the assignment.  
27

28 (C) An assignment by Lessee, notwithstanding approval by the Board and regardless of  
29 any understanding, agreement, language or reference set forth in the assignment  
30 instrument, does not release nor relieve the original Lessee from satisfying and  
31 complying with the terms, conditions, duties, responsibilities and/or obligations  
32 required by this Lease.  
33

34 (D) Lessee understands and agrees that the Board may refuse to consent to such  
35 assignment if, in the Board's reasonable opinion, the proposed assignee/transferee  
36 lacks the necessary financial capacity to meet the obligations required by this  
37 Lease or technical capacity to sustain reasonable development of the Leased  
38 Premises. Should the Board not approve the assignment, regardless of whether the  
39 assignment instrument is duly recorded, the assignor and its ancestors in interest  
40 shall remain responsible for satisfying and complying with the terms, conditions,  
41 duties, responsibilities and obligations of this Lease.  
42

43 (E) Upon compliance with the requirements of La. R.S. 30:128 and approval of the  
44 assignment by the Board, all terms, provisions, conditions, duties, responsibilities  
45 and obligations of this Lease additionally shall be binding upon and inure to the  
46 benefit of Lessee's successors, transferees, assigns and sublessees.  
47

48 (F) Assignees, sublessees and other transferees are responsible for researching the  
49 records maintained by OMR and the Clerk of Court in and for the parish(es)  
50 wherein the Leased Premises is located to determine whether the Lease proposed  
51 for assignment remains valid and is subject to lawful assignment by the assignor.  
52

53 **ARTICLE 8 - POOLING AND UNITIZATION**

54  
55 A) Lessee may, by Order of the Commissioner of Conservation or by conventional

ELP 8

→

→

ELP 9

1 agreement with the consent and approval of Lessor, pool or unitize the acreage  
2 covered by this Lease (or any portion thereof), including in combination with other  
3 property or leases (or portions thereof). Unitized operations from property other  
4 than this Lease within the pooled or unitized area shall have the same effect as if  
5 said operations had occurred on the Leased Premises with respect to Lease  
6 maintenance. [Lessor shall have the option, upon giving notice, to require Lessee to  
7 unitize all producing wells located on the Leased Premises at any time during the  
8 life of the Lease.]  
9

10 [No unit or pooling agreement shall be approved by Lessor unless a unit plat  
11 compiled and certified by a licensed surveyor showing the unit outline and each  
12 Lease or other property interest within the unit as having been surveyed  
13 accompanies and is attached to the unit or pooling agreement unless waived by  
14 Lessor.]  
15

16 (B) Should Lessee apply or give notice of intent to apply to the Commissioner of  
17 Conservation for the creation of any unit or units that would include all or any  
18 portion of the Leased Premises, Lessee shall furnish Lessor with a copy of the  
19 notice or application, accompanying unit plat, and all other attached information.  
20 Said copies shall be furnished to Lessor either at the time the application is filed  
21 with the Commissioner of Conservation or at the time required by applicable  
22 orders or regulations of the Commissioner of Conservation for furnishing such  
23 information, whichever is earlier. [Unless waived by Lessor, if a unit or units  
24 including all or any portion of the Leased Premises are created by Order of the  
25 Commissioner of Conservation, Lessee shall submit to Lessor a survey plat of each  
26 unit or units so created, either prior to or within ninety (90) days of initial  
27 production from the unit. The survey plat of the unit or units must clearly identify  
28 the state Lease acreage, tract acreage, and the unit percentage participation for each

29 state Lease tract] *IE*  
30  
31 [Failure of Lessee, after notice, to timely submit such a plat shall subject Lessee to  
32 liquidated damages in the amount of One Hundred (\$100.00) Dollars per day. This  
33 assessment shall commence on the thirty-first (31<sup>st</sup>) day after receipt of such notice  
34 and continue until the required plat is provided.]  
35

36 (C) If a surface and/or subsurface agreement requested by Lessee for the drilling of a  
37 well affecting this Lease is granted by an agency of the State, Lessee shall furnish  
38 to Lessor copies of any and all data required on the subject well in accordance with  
39 Article 9 below. Further, a presumption shall exist, unless Lessee can reasonably  
40 demonstrate the contrary to Lessor, that a unit for the well should be formed to  
41 include a portion of this Lease, and Lessee agrees to form a unit either by a  
42 conventional agreement approved by the Board or make application to the  
43 Commissioner of Conservation for the formation of such a unit within six (6)  
44 months after completion of the subject well. Once the unit is formed, royalties  
45 attributable to the Leased Premises included in the unit will be paid back to the  
46 first date of production from the well.]  
47

48 (D) On the date of this Lease, if all or any portion of the Leased Premises is included in  
49 a unit established by Order of the Commissioner of Conservation and Lessee is a  
50 working interest owner in the unit well or wells, Lessee agrees to pay royalty on all  
51 oil, gas or other liquid or gaseous mineral produced and saved or utilized and  
52 attributable to the Leased Premises from the date of such unit or from the date  
53 Lessee acquired an interest in the well or wells, whichever is later, regardless of  
54 whether all development and operating costs chargeable to the Leased Premises  
55 have been paid.

EPL 10

The  
Unitized  
Leased  
Premises

While not in  
the current  
State Lease form,  
this requirement  
is in the  
forms for  
(i) Subsurface Agreements  
and (ii) Surface  
Lease with  
Subsurface Agreements

not non-compliance

effective

1  
2 ARTICLE 9 - LESSEE REPORTING  
3

ELP II

- 4 (A) Lessee shall furnish Lessor, upon request, all of the following types of data: (1) all  
5 wire line surveys in open or cased holes including, but not limited to electrical and  
6 radioactivity logs, porosity logs of all types and dip-meters, [with all such logs to be  
7 provided in standard fanfold paper format at scales of 1 inch to 100 feet and 5  
8 inches to 100 feet, digital image files in TIF and PDF formats, and composite  
9 digital curve data in LAS (Log ASCII Standard) format or other format requested  
10 by Lessor; (2) directional surveys; (3) [mud logs] and core descriptions of both  
11 sidewall samples and conventional cores; (4) drill stem and production test data;  
12 (5) daily drilling reports (to be supplied weekly); (6) paleontological reports; (7)  
13 velocity surveys, including vertical seismic profiles; (8) all geological and  
14 geophysical survey data derived from surveys, on the Leased Premises consistent  
15 with the rights of the State under La. R.S. 30:209.1 and under permits as set forth  
16 in La. R.S. 30:213; and (9) production data, current and cumulative, including oil,  
17 gas and water production, surface and subsurface pressures.

conducted  
by  
Lessee

18  
19 Lessee shall also furnish Lessor with any other information and data requested by  
20 Lessor to keep Lessor fully informed of Lessee's good faith compliance with the  
21 provisions of this Lease, and continuing development of and operations on the  
22 Leased Premises as a reasonably prudent operator for the mutual benefit of Lessor  
23 and Lessee.  
24

- 25 (B) Nothing in this Article shall require Lessee to furnish or permit inspection of  
26 Lessee's interpretation of the types of data referred to above, and nothing herein  
27 shall be construed as requiring Lessee to secure any such data solely for the  
28 purpose of this Article. Lessor's representatives shall have access, at reasonable  
29 times and intervals, to examine and inspect Lessee's records and operations  
30 pertaining to the Leased Premises or lands pooled therewith.  
31

- 32 (C) Failure of Lessee, after notice, to satisfy the requirements of this Article shall  
33 subject Lessee to liquidated damages in the amount of One Hundred (\$100.00)  
34 Dollars per day for each day of non-compliance, commencing on the thirty-first  
35 (31<sup>st</sup>) day after receipt of notice.  
36

37 ARTICLE 10 - FORCE MAJEURE AND SUSPENDING EVENTS  
38

ELP 13

substantially  
re-written &  
introduces  
"Suspending  
Event"

- 39 (A) At any time this Lease is being validly maintained, if Lessee is prevented from  
40 continuing acceptable lease operations or production in paying quantities  
41 (operations or production) by the occurrence of a Force Majeure or Suspending  
42 Event (herein "Incident"), both hereinbelow defined, and Lessee cannot maintain  
43 this Lease beyond any critical date under any other operative provision hereof,  
44 such as the payment of annual rental, deferred development or shut-in payments,  
45 then and only then shall that critical date be postponed on a day-for-day basis for  
46 so long as the adverse effects upon Lessee's operations or production prevail.  
47

- 48 (B) The Board may recognize the Incident provided that Lessee has submitted to OMR:  
49  
50 (1) Written notice of the occurrence within ninety (90) days of the Incident  
51 onset;  
52  
53 (2) An Affidavit containing:  
54 (a) The onset date, description and nature of the Incident;  
55 (b) The effects preventing continuation of operations or production

- 1 (c) The steps being taken to mitigate and eliminate those effects; and  
2 (d) An estimated time for resumption of operations or production;  
3  
4 (3) Evidence of Lessee's diligent, reasonable and good faith efforts to mitigate  
5 and eliminate the effects of the Incident and resume acceptable lease  
6 operations; and  
7  
8 (4) Any other information or documentation evidencing the existence of the  
9 Incident requested by the Board.  
10  
11 (C) If operations or production cease prior to the Incident onset, cessation was not  
12 caused by the Incident and the Incident prevents Lessee from re-establishing  
13 operations or production prior to the critical date, then once the Incident and its  
14 effects end, Lessee shall have the balance of time remaining prior to the critical  
15 date to re-establish operations or production, unless the Lease is maintained under  
16 other terms provided for herein.  
17  
18 (D) The occurrence of an Incident shall not alone maintain this Lease for more than  
19 twelve (12) months from the date of the Incident onset unless extended by the  
20 Board. Lessee shall be required to submit written, detailed reports on a monthly  
21 basis to OMR and demonstrate the ongoing efforts by Lessee to mitigate the effects  
22 of the Incident. If the reports are not timely submitted or if they do not adequately  
23 identify such good faith efforts, the Board may declare the Incident recognition to  
24 be ended.  
25  
26 (E) A Force Majeure event, as herein utilized, shall be a fortuitous event that is beyond  
27 Lessee's control and is not ultimately determined to be caused by Lessee nor due to  
28 Lessee's negligent or intentional commission or omission, or failure to take  
29 reasonable and timely foreseeable preventative measures that would have mitigated  
30 or negated the effects of the event. Generally, a Force Majeure event is (1) a major  
31 storm, major flood or other similar natural disaster, or (2) a major accident such as  
32 a blowout, fire or explosion.  
33  
34 A Suspending Event, as herein utilized, shall be (1) the lack of availability, after  
35 Lessee has diligently, timely and in good faith attempted to secure same, of any  
36 required equipment and/or personnel, such as the specific type of rig or specific  
37 type of casing or drill pipe, or (2) the unreasonable delay by any government  
38 agency or political subdivision in granting permits necessary for operations or  
39 production, or (3) an Order of any federal or state court of competent jurisdiction  
40 preventing operations or productions, or (4) the act of a third party, not under the  
41 control or at the instigation of Lessee, in shutting down and unreasonably refusing  
42 to reopen any facility through which hydrocarbons from the Lease are necessarily  
43 passed as part of production (and provided there is no other reasonably economical  
44 method of carrying on production), or (5) other events not described herein that are  
45 recognized by the Board.  
46  
47 (F) Lessee's failure to comply with the explicit requirements of this Article pertaining  
48 directly to timely notification and monthly updates and additionally, failure to  
49 demonstrate continuous good faith efforts to mitigate the effects of the Incident,  
50 shall prevent Lessee from utilizing this provision to excuse any failure to comply  
51 with any obligations of this Lease relating to the particular Incident involved.  
52  
53 (G) For purposes of this Article:  
54  
55 (1) An increase in costs of performing the obligations set forth in this Lease



- 1 (D) In complying with the requirements of this Article, Lessee additionally shall  
2 compile a listing of all unplugged wells and facilities owned or operated by Lessee  
3 on the acreage released or no longer in use that require abandonment. This list  
4 shall be recorded with the Release required hereby and a copy thereof provided to  
5 Lessor. With these documents, in furtherance of Lessee's obligation to restore the  
6 Leased Premises as herein contemplated, Lessee also shall provide to Lessor a  
7 proposal, in writing, clearly setting forth Lessee's plan for effectively and  
8 efficiently plugging and abandoning all such wells and removing all such facilities.  
9
- 10 (E) In the event Lessee fails to timely and/or fully comply with the requirements set  
11 forth in this Article, Lessee shall be liable for the reasonable attorney fees and  
12 costs incurred by Lessor in obtaining such Release, and also for the compensatory  
13 damages that Lessor may prove. Additionally, failure of Lessee, after notice, to  
14 satisfy the requirements of this Article shall subject Lessee to liquidated damages  
15 in the amount of One Hundred (\$100.00) Dollars per day for each day of non-  
16 compliance after expiration of said ninety (90) day period.  
17

18 **ARTICLE 12 - ABANDONMENT AND RESTORATION**  
19

ELP 12

- 20 (A) Lessee, [no later than one (1) year] from the surrender, expiration or termination of  
21 all or any portion of this Lease, regardless of whether a formal Release has been  
22 duly recorded as required by Article 11 hereof, shall be obligated to (1) plug and  
23 abandon all wells on the Leased Premises or portion thereof that are no longer  
24 necessary for operations or production, (2) remove from the Leased Premises or  
25 portion thereof all structures and facilities serving said wells, and (3) restore the  
26 Leased Premises or portion thereof [to its original condition], all at Lessee's sole  
27 risk, cost and expense, and subject to compliance with all applicable laws, rules  
28 and regulations.  
29

30 Lessor recognizes Lessee's right and obligation to draw and remove casing from  
31 wells and further, to remove any structures and facilities no longer utilized in  
32 operations or production on the Leased Premises. Under no circumstance shall  
33 Lessee or its agent be permitted to salvage and/or remove equipment, machinery,  
34 structures or facilities serving said wells until the wells are plugged and abandoned  
35 in accordance with all applicable laws, rules and regulations.  
36

- 37 (B) Failure of Lessee to satisfy the duties, responsibilities and obligations set forth in  
38 (A) above [during the designated one (1) year period] shall render Lessee liable for  
39 any and all costs and expenses incurred by Lessor for plugging and abandoning  
40 such wells, removing and disposing of said casing, structures and facilities and  
41 restoring the Leased Premises or portion thereof to its original condition.  
42 However, under no circumstance shall title to or ownership of said casing,  
43 structures or facilities be forfeited to, vest in or transfer to Lessor, nor shall said  
44 casing, structures or facilities be deemed "improvements" to the Leased Premises  
45 for ownership purposes.  
46

- 47 (C) In addition to restoration of the Leased Premises as contemplated and required by  
48 this Lease, Lessee shall be responsible, without limitation, for all damage to the  
49 Leased Premises caused by its operations including, but not limited to loss or  
50 damage to timber, crops, roads, buildings, fences, bridges, [soil, surface and  
51 subsurface water, aquifers and vegetation, and also all environmental damage as  
52 that term is defined in La. R.S. 30:29].  
53

- 54 (D) After one (1) year from the surrender, expiration or termination of all or any  
55 portion of this Lease, Lessee may not trespass upon the Leased Premises to remove

1 any machinery, equipment, structures or facilities, draw casing from any well or  
2 initiate plugging and abandonment or cleanup obligations without the express  
3 approval of the Board. Lessee shall remain obligated under this Lease to appear  
4 before the Board to request an extension of time and present an abandonment plan  
5 and schedule to fulfill its obligation to properly plug and abandon all wells, remove  
6 from the premises all structures and facilities serving said wells and restore the  
7 Leased Premises to as near as possible to its pre-lease condition. The Board may  
8 grant Lessee temporary access to the Leased Premises to carry out its plan, or the  
9 Board may exercise its option to pursue any and all other means available to satisfy  
10 these obligations.]

11  
12 (E) Failure of Lessee, after notice, to satisfy the duties, responsibilities and obligations  
13 set forth in this Article shall subject Lessee to liquidated damages in the amount of  
14 One Hundred (\$100.00) Dollars per day, commencing one year after the date of the  
15 surrender, expiration or termination of this Lease or portion thereof, whichever is  
16 applicable. Such liquidated damages shall accrue until all such duties,  
17 responsibilities and obligations are fully satisfied unless Lessee, prior to expiration  
18 of the designated one year period, requested and for good cause shown received  
19 approval from the Board of an extension of time to satisfy such requirements.]

20  
21 **ARTICLE 13 - ENVIRONMENTAL LAWS AND REGULATIONS**

22  
23 (A) Lessee hereby agrees that in exercising the rights granted hereunder, it will comply  
24 with and be subject to all applicable state and federal environmental laws and  
25 regulations. Lessee also agrees that it will comply with all minimum water quality  
26 standards adopted by any governmental authority with respect to pollution, noxious  
27 chemicals and waste being introduced into affected water areas. Further, in  
28 conducting operations under this Lease requiring dredging, filling or navigation in  
29 order to conduct oil and gas exploration and production operations, Lessee shall  
30 comply with all applicable state and federal requirements for the permitting of such  
31 activities in the operational area.

32  
33 (B) For purposes of this Lease, any material now or hereinafter designated as or  
34 containing components now or hereinafter designated as hazardous, toxic,  
35 dangerous or harmful, and/or that are subject to regulation as hazardous, toxic,  
36 dangerous or harmful material by any federal or state law, regulation, statute or  
37 ordinance, shall be transported, stored and handled in accordance and in  
38 compliance with the provisions of such laws including, but not limited to 42  
39 U.S.C. 6901 *et seq.* (RCRA) and 42 U.S.C. 9601 *et seq.* (CERCLA), as presently  
40 existing or as subsequently enacted or amended.]

41  
42 **ARTICLE 14 - RESPONSIBILITY FOR ENVIRONMENTAL DAMAGE**

43  
44 (A) Lessee shall be responsible for any pollution or other damage to the environment  
45 that occurs as a result or consequence of Lessee's occupation, oil and gas  
46 exploration, production operations and/or use of the Leased Premises, irrespective  
47 of whether such pollution or damage is due to negligence, the inherent nature of  
48 Lessee's activities or operations or other reason(s). Lessee shall use the highest  
49 degree of care and all proper safeguards to prevent pollution resulting from  
50 drilling, construction, transportation and all other oil and gas exploration and  
51 production operations. Lessee shall use all means at its disposal to recapture all  
52 escaped pollutants and shall be solely responsible for all damage to aquatic or  
53 marine life, wildlife, birds and any public or private property that may result from  
54 any such pollution occasioned by Lessee's operations hereunder. Lessee shall  
55 report all unpermitted discharges of pollutants in accordance with all state and

ELP 24

1 federal statutes and regulations to the Louisiana Department of Environmental  
2 Quality, the Louisiana Office of Conservation and any other appropriate entity.  
3 Such reporting shall occur within five (5) calendar days or within the timeframe  
4 required by any state or federal law, whichever is earlier.  
5

6 All reasonably necessary preparations and precautions shall be taken by Lessee to  
7 prevent fire and explosion and to prevent contamination of any portion of the total  
8 environment of the Leased Premises, provided that nothing herein shall be  
9 construed as lessening or reducing Lessee's obligations under all applicable  
10 statutes, rules and regulations of the State of Louisiana and United States of  
11 America.  
12

13 (B) Lessee shall indemnify, defend and hold harmless Lessor, its officers, employees,  
14 agents and representatives, with respect to any and all damage, costs, liability, fees,  
15 attorney fees, penalties (civil or criminal), fines (civil or criminal) and cleanup  
16 costs arising out of or in any way related to Lessee's use, disposal, transportation,  
17 generation, sale and location upon or affecting the Leased Premises of hazardous  
18 substances as defined in Article 13 of this Lease. This indemnification shall  
19 extend, without limitation, to actions of Lessee's officers, employees, agents,  
20 representatives, assigns, sublessees, contractors, subcontractors, licensees and  
21 invitees. Lessee shall further indemnify, defend and hold Lessor harmless from any  
22 and all damage, cost, liability, fees, attorney fees, penalties (civil or criminal), fines  
23 (civil or criminal) and cleanup costs arising out of or related to any breach of the  
24 provisions of this Lease concerning hazardous substances and/or negligent  
25 operations. This indemnity is in addition to and in no way limits the general  
26 indemnity contained under Article 16 of this Lease.  
27

28 (C) In conducting any activity under this Lease that requires dredging, filling or  
29 navigating in order to conduct oil and gas exploration and production operations,  
30 Lessee shall comply with all applicable state and federal requirements for the  
31 permitting of such activities in the operational area.)  
32

ELP 24

33 ( Lessee agrees that upon completion of oil and gas exploration and production  
34 activities under this Lease, Lessee shall remove all facilities, materials and equipment that  
35 may impede commercial fishing and trawling including, without limitation, all submerged  
36 materials, equipment or debris placed on the Leased Premises by or for the account of  
37 Lessee. Additionally, Lessee shall return or restore, to the extent practicable, all affected  
38 water bottoms to a condition as nearly equivalent to that which existed before said  
39 operations were conducted and/or structures constructed.)  
40

41 Should Lessor and the Commissioner of Conservation determine that continued oil  
42 and gas exploration and production operations including, but not limited to temporary  
43 surface storage facilities and/or associated wellhead facilities (wellhead, valves, tanks,  
44 pits and flares) may cause unsafe operating conditions, waste pollution or contamination  
45 of air, fresh water or soil, Lessee agrees that Lessor and the Commissioner of  
46 Conservation may immediately prohibit further oil and gas exploration and production  
47 operations of the Lessee's facility and/or its associated wellhead facilities until such time  
48 as Lessor and the Commissioner of Conservation determine that such operations can and  
49 will be conducted in a physically and environmentally safe manner.  
50

51 Should Lessor and the Commissioner of Conservation determine that any unsafe  
52 operating condition, waste, pollution or contamination of air, fresh water or soil is  
53 imminent, further oil and gas exploration and production operations of any affected  
54 reservoir formation and associated facility shall be discontinued until such time as Lessor  
55 and the Commissioner of Conservation determine that such operations will be conducted

1 in a physically and environmentally safe manner.

2  
3 Lessee shall, at its sole cost and expense, keep and maintain the Leased Premises,  
4 all improvements thereon and all facilities appurtenant thereto (regardless of ownership)  
5 in good order and repair and safe condition for the safe conduct of any activities, or  
6 enterprises conducted on the Leased Premises pursuant to the rights granted hereunder.

7  
8 **ARTICLE 15 - GENERAL LIABILITY INSURANCE**

9  
10 (A) Lessee, at its sole expense, shall purchase and maintain in full force and effect,  
11 throughout the operational term of this Lease and continuing until all Lease  
12 obligations are fulfilled, a policy(s) of commercial general liability insurance  
13 having a minimum limit per occurrence of One Million (\$1,000,000.00) Dollars  
14 and excess liability insurance having a minimum limit per occurrence of Two  
15 Million (\$2,000,000.00) Dollars (or other such limits as deemed appropriate and  
16 necessary by the Board). This policy shall identify Lessor as an additional  
17 insured, be applicable to the Leased Premises and provide coverage, except as may  
18 be limited by law, to Lessor and Lessee against claims for bodily injury, death and  
19 property damage, and for pollution incidents of a sudden and accidental nature  
20 causing such harm that may arise from or in connection with the development and  
21 production activities and operations conducted pursuant to this Lease by Lessee, its  
22 operators, contractors, employees, agents, representatives and their successors and  
23 assigns.

24  
25 For purposes of this Article, the “operational term” of this Lease shall commence  
26 thirty (30) days prior to any surface activity on the Leased Premises in furtherance  
27 of the development and production of oil and gas including, but not limited to  
28 surveying, mobilization, location preparation and other such activities preliminary  
29 to development of the Lease.

30  
31 (B) The insurance coverage required hereby shall be provided at Lessee’s sole expense  
32 and the insurer shall have no recourse against Lessor for payment of premiums or  
33 any assessments required by the policy(s). Deductibles and/or self-insured  
34 retentions must be reasonable, within industry standards and, upon request,  
35 disclosed by Lessee to the Board, with Lessee solely responsible for paying all  
36 such deductibles and/or self-insured retentions.

37  
38 (C) The insurance coverage required hereby of Lessee shall be provided by a company  
39 authorized to do business in the State of Louisiana having an A.M. Best's rating of  
40 A-:VI or higher. At any time, if an insurer issuing such policy(s) does not meet the  
41 minimum A.M. Best rating, Lessee shall obtain a substitute policy(s) with an  
42 insurer possessing such rating and submit a substitute Certificate of Insurance in  
43 compliance herewith.

44  
45 (D) Lessee shall furnish to Lessor, initially as required by (A) above, and on an annual  
46 basis thereafter within thirty (30) days of the annual renewal date, a Certificate(s)  
47 of Insurance fully completed and signed by the insurer’s authorized representative  
48 evidencing satisfaction of the insurance coverage requirements of this Article.  
49 Additionally, upon request, Lessee shall provide to Lessor the Declaration Page  
50 and the Cancellation Endorsement for the policy(s), along with any additional  
51 endorsements that may be requested by Lessor. These documents shall be  
52 provided to Lessor prior to commencement of the operational term, with the  
53 Certificate Holder listed as:

1 State of Louisiana  
2 Office of Mineral Resources  
3 LaSalle Building – 8<sup>th</sup> Floor  
4 617 North Third Street  
5 Baton Rouge, Louisiana 70802  
6 Ref: State Lease No. \_\_\_\_\_  
7

8 If Lessee's obligation to maintain insurance coverage is provisionally suspended in  
9 accordance with (H) below, Lessee still must furnish proof or cause its operator to  
10 furnish proof to Lessor of such coverage as required hereby.  
11

12 (E) As soon as practicable, but in no event later than fifteen (15) days prior to  
13 occurrence, Lessee shall advise Lessor of the suspension or cancellation of any  
14 policy of insurance. In such event, Lessee shall secure replacement insurance in  
15 compliance with the requirements herein to ensure that continuous coverage is  
16 maintained on the Leased Premises.  
17

18 (F) Failure of Lessee to maintain and furnish proof of insurance as required hereby  
19 may, at the sole option of Lessor, after notice and reasonable opportunity to correct  
20 such failure, cause this Lease to be terminated. Additionally, Lessee's failure, after  
21 notice, to obtain insurance or provide proof of insurance within thirty (30) days of  
22 receipt of such notice shall subject Lessee to liquidated damages in the amount of  
23 One Hundred (\$100.00) Dollars per day until proof of such insurance is provided  
24 to OMR. The liquidated damage assessment may be waived, in whole or in part,  
25 for cause by the Board. Such failure, however, shall not relieve Lessee of liability  
26 nor its duty to perform the obligations required by this Lease.  
27

28 (G) In the event of:

29  
30 (1) An assignment or other transfer of the entirety of Lessee's interest in the  
31 Lease, upon producing acceptable proof that Lessee's  
32 assignee(s)/transferee(s) has secured insurance coverage as required hereby,  
33 Lessee shall be relieved of its obligation to maintain such coverage.  
34

35 (2) An assignment or other transfer causing the Lease to be held in indivision,  
36 Lessee and/or its assignee(s)/transferee(s) shall maintain or cause to be  
37 maintained such insurance.  
38

39 (3) An assignment or other transfer causing the Lease to be held in divisible  
40 portions, Lessee and its assignee(s)/transferee(s) shall maintain such  
41 coverage on their respective portions.  
42

43 Nothing herein shall require a duplication of coverage, with Lessee and/or its  
44 assignee(s)/transferee(s) responsible for ensuring that such coverage is provided.  
45

46 (H) Lessee and/or its assignee(s)/transferee(s) may request Board authority to  
47 provisionally suspend its obligation to maintain insurance by demonstrating to the  
48 satisfaction of the Board that an operator(s), actively engaged in development and  
49 production activities and operations on the Leased Premises on behalf of Lessee,  
50 has obtained and will continually maintain insurance coverage compliant with the  
51 requirements set forth herein. In the event coverage by the operator(s) lapses or  
52 terminates for any reason, such suspension shall automatically terminate and  
53 Lessee shall again obtain and maintain insurance coverage as required hereby.]  
54  
55

ELP 15

**ARTICLE 16 - INDEMNITY AND HOLD HARMLESS**

Lessee unconditionally agrees to respond to, investigate, provide defense for, protect against, save, indemnify and hold free and harmless the State of Louisiana, the Department of Natural Resources, the State Mineral and Energy Board and the Office of Mineral Resources of, from and against any and all demands, claims, causes of action, damages, judgments, costs, fees, expenses and attorney fees arising from any harm, loss, injury or death to any person, or any harm, loss, damage or destruction of any property resulting from any act, omission, fault or negligence of Lessee in conducting activities or operations in, upon or under the Leased Premises pursuant to the rights granted by this Lease. [The protections afforded by this provision equally apply to the officers, employees, agents and representatives of the referenced governmental entities. The obligations required by this provision equally apply to Lessee's successors, transferees, sublessees, assigns, employees, contractors, agents and representatives.]

[This general indemnity provision is in addition to and shall not be limited in any way by any specific indemnity provision contained elsewhere within this Lease.]

ELP 16

**ARTICLE 17 - LAW AND FORUM**

Lessee agrees that the terms and provisions of this Lease shall be construed in accordance with the laws of the State of Louisiana and that the courts of this State shall be the proper forum for any litigation related to this Lease, unless such litigation is required to be filed in or is removed to a federal court of this State.

[Lessee further agrees that the rule of construction requiring that the terms and provisions of an instrument be construed against the drafting party is not and shall not be applicable to this Lease.]

**ARTICLE 18 - TITLE DISPUTES**

ELP 18

(A) In the event of a *bona fide* dispute or litigation involving Lessor's ownership or title to any portion of the Leased Premises, Lessee agrees to promptly notify Lessor, in writing, and provide any information and/or documentation requested by Lessor, including the identity of the adverse claimant(s) and the nature of the dispute.

(B) During the pendency of and through resolution of the dispute or litigation, Lessee shall comply with all terms, provisions and requirements of the Lease, including the payment of royalty, and shall be deemed in default of payment of royalty if Lessee suspends or stops making royalty payments in compliance therewith. However, in lieu of making said payments directly to Lessor, pending settlement or final and definitive adjudication of the title dispute or litigation, Lessee may:

- (1) Request and obtain authorization from the Board to suspend the direct payment of royalty due on the production attributable to the disputed acreage, deposit the royalty payments into an interest bearing escrow account at a FDIC insured financial institution having a presence within the State and otherwise fully comply with the title dispute protocol approved by the Board; or
- (2) Initiate a concursus proceeding and deposit the royalty payments attributable to the disputed acreage into the court registry; or
- (3) Take other action as authorized by the Board.

- 1  
2 (C) Lessor shall accept the funds so deposited as royalty payments attributable to the  
3 disputed acreage such that Lessee shall not be held in default in payment of royalty  
4 if properly computed and timely made in accordance with the terms and provisions  
5 of this Lease, pursuant to an Order of the court or in accordance with the Board's  
6 authorization.  
7  
8 (D) Nothing herein is intended to waive, release, relinquish or in any way diminish any  
9 rights Lessor may have to review, examine, audit, dispute, challenge or contest any  
10 payments made or not made by or on behalf of Lessee on the production  
11 attributable to the disputed acreage. In the event an audit or other examination  
12 should reveal that the sums deposited into an escrow account or into the registry of  
13 the court are incorrect, Lessee shall remain fully responsible for all royalty  
14 determined to be due and owing, and may be subject to payment of interest and  
15 penalties as required by law or the terms of this Lease.  
16  
17 (E) Upon termination of any escrow authority, concursus proceeding or other action  
18 authorized by the Board, royalty payments due on the production attributable to the  
19 disputed acreage shall be made in accordance with the terms of any settlement,  
20 compromise or final, definitive adjudication and pursuant to the terms and  
21 provisions of this Lease.]  
22

23 **ARTICLE 19 - LEASE ACCESS**  
24

ELP 19

- 25 (A) This Lease is subject to the requirements of La. R.S. 30:127(G) such that the  
26 public's access to public waterways throughout the State lands covered by the  
27 Lease shall be maintained and preserved for the public by Lessee.  
28  
29 [(B) Lessor retains the right, throughout the life of this Lease, to use all existing roads  
30 and waterways and those constructed or reconstructed by Lessee for any and all  
31 purposes deemed necessary or desirable in connection with the control,  
32 management, administration and harvest of Lessor-owned land or resources  
33 thereof, including timber management.  
34  
35 (C) Lessor retains the right, throughout the life of this Lease, to use any and all  
36 portions of the Leased Premises for any and all purposes so long as doing so does  
37 not unreasonably interfere with the rights and performance of Lessee under this  
38 Lease.  
39  
40 (D) Lessor shall have the right to sell, exchange, transfer or otherwise dispose of all or  
41 any portion of the Leased Premises. Further, Lessor shall have the right to issue  
42 rights-of-way and easements upon the Leased Premises so long as such rights-of-  
43 way or easements do not unreasonably interfere with Lessee's operations  
44 conducted pursuant to the rights granted by this Lease.  
45  
46 (E) Lessor reserves the right to access the Leased Premises at all reasonable times in  
47 order to inspect the Leased Premises and to investigate and secure compliance by  
48 Lessee with all Lease requirements.  
49  
50 (F) The rights reserved hereunder may be exercised by Lessor or any other person or  
51 entity acting under the authority of Lessor in any manner that does not  
52 unreasonably interfere with or endanger the Lessee's operations under this Lease.  
53  
54 (G) All rights pertaining to the Leased Premises not expressly granted to Lessee by this  
55 Lease, or necessarily implied herein, are hereby reserved to Lessor.]

1 ARTICLE 20 - AUDIT RIGHTS

2  
3 (A) Lessee shall keep a complete and accurate account of all books and records  
4 pertaining to the calculation of royalty utilizing accounting systems and methods in  
5 compliance with Generally Accepted Accounting Principles consistently applied to  
6 ensure the most accurate figures reasonably available. Lessee shall retain in its  
7 possession detailed papers, books, records, accounts and other documents relative  
8 to the calculation and payment of royalties and other sums due hereunder for  
9 examination by OMR personnel at all reasonable times. Such documentation shall  
10 be maintained in the manner which best facilitates its review, inspection,  
11 examination and audit. Upon reasonable notice, the Board, through OMR, shall  
12 have the right to review and audit such documents and systems for purposes of  
13 verifying their accuracy and reporting requirements. To the extent allowed by law,  
14 all documents, working papers and information provided for review/audit shall be  
15 maintained by OMR personnel in strict confidence.]

ELP 20

17 (B) In addition to all other audit rights set forth in this Lease or required by law, OMR  
18 personnel shall have the same audit rights afforded the Louisiana Department of  
19 Revenue under La. R.S. 47:1542-1543. Lessees and their agents shall be subject to  
20 the same recordkeeping requirements as set forth in 30 U.S.C. 1713.  
21

22 ARTICLE 21 - NO WARRANTY OF TITLE

ELP 17

24 (A) Notwithstanding any provision herein to the contrary, this Lease is granted and  
25 accepted without any warranty of title and without any recourse against Lessor  
26 whatsoever, either expressed or implied. It is expressly agreed that Lessor shall  
27 not be required to return any payments received hereunder or be otherwise  
28 responsible to Lessee therefor. Lessee represents that it has investigated title to the  
29 Leased Premises and is satisfied with such title as Lessor may have. Lessor hereby  
30 disclaims any covenant of quiet enjoyment or peaceful possession of the Leased  
31 Premises.  
32

33 (B) Lessor makes no warranties as to the condition of the Leased Premises and Lessee  
34 accepts the Leased Premises "AS IS". Lessor has no obligation to make any  
35 repairs, additions or improvements to the Leased Premises, and Lessor does not  
36 warrant the suitability of the Leased Premises for any purposes intended by Lessee  
37 or contemplated by this Lease.]  
38

39 ARTICLE 22 - EXECUTORY CONTRACT

ELP 22

40  
41 Lessor and Lessee herein agree that for so long as it remains in full force and  
42 effect, it is deemed to be an executory contract and an unexpired Lease within the  
43 meaning of Section 365 of the United States Bankruptcy Code (or successor statute).  
44

45 ARTICLE 23 - LESSOR'S RIGHTS

46  
47 Lessee agrees that any failure by Lessor to enforce any provision, obligation,  
48 condition, right or privilege of this Lease shall not constitute a waiver or relinquishment  
49 by Lessor of its rights, privileges and/or remedies afforded herein or by law.  
50 Furthermore, Lessee agrees that it shall not hold or use Lessor's failure to enforce any  
51 provision, obligation, condition, right or privilege as a defense in any future dispute or  
52 litigation. As such, all provisions, obligations, conditions, rights and privileges granted  
53 hereby or by operation of law shall remain valid, in force and enforceable despite  
54 Lessor's failure to previously enforce them.]  
55

ELP26

1  
2  
3  
4  
5  
6  
7

ARTICLE 24 - SEVERABILITY

This Lease sets forth the full terms of the agreement between the parties. If any provision hereof is found to be invalid for any reason, such provision shall be severed from the agreement and the remaining terms and provisions shall be fully binding upon the parties.